

Quantitative Performance Measures

Total Fund

Weight	Performance Measure	Incentive Schedule	2 nd Quarter Status
70%	Excess return deviation in basis points relative to: Total Fund Performance Benchmark {SJ1CA1 – CPERST02}	-27 basis points = 0 +7 basis points = 1.0 +23 basis points = 1.5	+26 bps {13.96 – 13.70}

Qualitative Performance Measures *(All performance measures utilize standard Qualitative incentive schedule unless otherwise noted)*

Leadership

Weight	Performance Measure
15%	<ul style="list-style-type: none"> Investment Office Leadership and Management – By June 30, 2011, contribute to the value creation, capacity building, and organization support for the Investment Office by executing the following: <ul style="list-style-type: none"> Drive global leadership and financial market reform to improve investment performance and enhance delivery of services. Build organizational excellence by strengthening and reinforcing a value driven culture that fosters accountability, transparency, and integrity by utilizing Senn Delaney training and communication concepts. Mentor and develop staff through regular coaching and feedback. Ensure 95% completion rate for annual performance appraisals and employee development plans. Team Participation – Cross Asset Class Collaboration – By June 30, 2011, participate in and support cross asset class initiatives, such as the Investment Office Roadmap, Investment Strategy Group, Risk Management, and Governance initiatives to improve investment performance and processes. Individual Contributions – Asset Class Priorities – By June 30, 2011, implement asset class priorities which contribute to the success of your program by adopting innovative approaches and overcoming obstacles to improve investment performance and processes. Organizational Management Practices <ul style="list-style-type: none"> Maintain an average position vacancy rate of 5% or less through the fiscal year 2010-11. Ensure all Form 700 Statements of Economic Interest are filed by scheduled employees by the mandated due date of April 1, 2011. Ensure all scheduled employees complete the legally mandated AB 1234 ethics training by June 30, 2011. Maintain a 90% EPAD completion rate. Address and resolve all outstanding audit findings within 12 months of audit report. Dedicate 30 minutes per month for Employee Recognition during the year through fiscal year 2010-11.

1st and 2nd Quarter Status:

Investment Office Leadership and Management:

- Market reform accomplishments include continuing leadership of CII as Chair, attending the signing of the Dodd-Frank Act (DFA) by President Obama, presenting status of US reforms to international audience at the PPI Summer Roundtable, identifying priorities for influencing regulations developed to implement DFA with derivative rules at SEC and CFTC top immediate priority; working with other investors on derivative and business conduct standards proposals and engaging 58 companies to adopt majority vote by laws.
- Lead senior team offsite to refine and assess 2010 Roadmap
- Made presentations to CalPERS Education Forum, Public Retirement Seminar, New America Alliance, CA Senate Select Committee on Procurement, Pension Real Estate Association Annual Plan Sponsor Conference; Haas School of Business Portfolio Management class; National Association of State Investment Officers
- Supervised COIO preparation of Target Operating Model, a single integrated plan to develop and implement vitally needed systems, controls and management processes to control risk, assure compliance and bolster rigor of INVO planning and decision making;
- Recognition accomplishments include holding two all staff INVO Forums, 3 brown bag lunches with staff from different offices; two receptions for ACE award winners; two all-staff email letters on Roadmap accomplishments and occasional visits to 2nd and 3rd floor offices to interact with staff informally and an INVO picnic at a local park.
- Did media interviews with Edward Robinson of Bloomberg, magazine profile, August 2010; Randy Diamond of P&I, asset allocation,

Oct. 21, 2010; Julie Creswell of New York Times, private equity, Sept. 30, 2010; and Bloomberg TV, matcher for magazine profile, Sept. 13, 2010.

- Completed INVO working values training. Initiated the well received INVO speaker series with talks by Woody Brock, Jim Coulter, Vinod Khosla and a 5 member panel of top real estate partners attended by over 50 INVO staff at each event.
- Served as Executive Sponsor of 3 Rapid Results projects that saved an additional \$60 million, furthered implementation and enhanced capabilities of the Investment Proposal Tracking System and reduced composite benchmarks by about 50%. Importantly, these cross INVO teams learned more about each other, their respective programs, the common nature of some their organization related problems and their capacity to make positive improvements when given the opportunity.
- Finalized restructure of performance compensation plan.
- Completed selection of Master Custodian
- Selected new risk management system
- Regularly met with senior staff to provide feedback, mentoring and coaching as appropriate.

Enterprise-wide Initiatives and Collaboration

Weight	Performance Measure
15%	<p>By June 30, 2011, continue to improve collaboration between the Investment Office and other CalPERS divisions/branches, through the following activities:</p> <ul style="list-style-type: none"> • Protect stakeholder interests, assist policymakers in making decisions, and influence the State and Federal pension reform debate. • Conduct an asset liability management process that is transparent, allows input by multiple stakeholders and results in the development of sustainable asset allocation policy. • Lead, design and implement a risk framework and governance structure for the Investment Office that aligns with the enterprise Risk Management function. • Complete the special review of placement agent issues and adopt appropriate recommendations to implement governance changes.

1st and 2nd Quarter Status:

- Participated in executive staff discussions on pension policy problems and alternatives.
- Completed year long asset liability management study with unanimous adoption by the Board of ground breaking risk based classification strategy.
- Led CalPERS' response to requests from the California State Controller and California State Treasurer for information pertaining to new U.S. Federal regulations relating to Iran sanctions as well as where CalPERS stands with implementing the California Public Divest from Iran Act. The requests stem from inquiries by staff members from U.S. Senator Kerry's office.
- Completed Risk Framework and Risk Heat Map. Heat Map used to shape Target Operating Model. Stood up Operating Committee to manage operational risk. Coordinated with interim Chief Risk Officer
- Special Review accomplishments include: agreements with Relational Investors and CIM for additional \$80 million in fee savings; preparation for implementation of AB 1743; staff submission of revised Form 700 statements and associated disciplinary action